



ASIC

Australian Securities & Investments Commission

Grant Thornton Australia Limited

Audit inspection report for 2018-19

December 2019

About this report

This report summarises findings from our reviews of key areas in audits at Grant Thornton Australia Limited (Grant Thornton) in the 12 months to 30 June 2019.

This report also lists any findings from our reviews of financial reports audited by the firm in the 12 months to 30 June 2019.

Although this report may describe deficiencies identified, this should not be taken to provide assurance that the firm's audits and systems, or audited financial reports, are free of other deficiencies.

This report is intended to communicate our findings in a clear and concise manner to leadership of the firm who are informed auditing and accounting professionals. While there are no restrictions on the firm providing this report to third parties or releasing the report to the public, other readers may not have the full context of this report and the findings summarised herein.

ASIC Information Sheet 224 *ASIC Audit Inspections* and ASIC Report 648 *Audit inspection report for 2018-19* provide further information on our audit firm inspection process.

Background

- 1 ASIC's audit inspections involve the review of key areas in the audits of listed entities and other public interest entities.
- 2 This report summarises our findings from audit reviews substantially completed in the 12 months to 30 June 2019, and financial reporting surveillances relating to entities audited by Grant Thornton completed in the 12 months to 30 June 2019. If it has not already done so, the firm should identify underlying root causes for the matters reported, and for findings from internal and global firm reviews, and implement new and improved actions to achieve sustainable improvements in audit quality.
- 3 For more information refer to the detailed comment forms provided separately to the firm (matters in Tables 1 and 2) or in a media release available from the ASIC website (www.asic.gov.au) (matter in Table 3). The comment forms include the firm's response to our findings.
- 4 This report does not include details of enforcement actions (if any) involving members of the firm that may have been underway or finalised in the 12 month period.

Audit file review findings

- 5 In our view the auditor did not obtain reasonable assurance that the financial report was free of material misstatement in 4 of the 13 key areas reviewed in total across 4 audits reviewed at the firm (31% of the key areas reviewed). A limited number of audits and audit areas were selected for review on a risk basis, and so caution is needed in generalising from the results to all audits conducted by the firm and all areas of those audits.
- 6 Table 1 summarises the findings. The firm did not necessarily agree with all of our findings. The findings should not be taken to infer that the financial report was materially misstated, but rather that the auditor did not obtain sufficient evidence to support their opinion.

Table 1: Audit review findings – risk of material misstatement

Entity	Areas with findings	Findings
Entity A	3 of the 3 key areas reviewed	<ul style="list-style-type: none"> • <i>Lending revenue and trail commission receivables</i> - the auditor did not sufficiently understand and evaluate the valuation process for trail commission receivables, and did not sufficiently test the underlying data used in the model, assumptions, or the mathematical integrity of the model. The auditor also did not perform planned substantive analytical procedures over lending revenue. • <i>Trail commission payables and commissions expenses</i> - the auditor did not test controls relied upon, perform substantive tests on commission expenses or agree pay out rates to contracts with brokers.

Entity	Areas with findings	Findings
		<ul style="list-style-type: none"> <i>Goodwill impairment</i> - the key assumptions used in determining value in use (VIU) were not tested, including management's terminal growth rate, discount rate, six year forecasts and the embedded value of the net trail commission assets.
Entity B	1 of the 4 key areas reviewed	<ul style="list-style-type: none"> <i>Fund managers profit share bonus expenses</i> – the auditor did not perform sufficient procedures on underlying information used to calculate the bonuses was accurate and complete.

- 7 Our audit file review findings which did not involve risk of material misstatements are summarised in Table 2. These findings include matters that could be relevant to obtaining reasonable assurance for the audited entity in future or another audited entity.

Table 2: Audit review findings – other

Entity	Findings
Entity B	<i>Performance fee revenue</i> – control testing did not clearly evidence all audit procedures performed and the auditor did not perform sufficient work on the accuracy of performance fee revenue including recalculation of the sampled daily performance fee and the accuracy and completeness of cumulative performance benchmarks.
Entity C	<i>Valuation of land and biological assets</i> – the auditor did not obtain sufficient evidence to support the carrying value of biological assets and land. The valuation by management's experts in 2017 was not carried forward to the 2018 audit file and re-evaluated.

Financial report findings

- 8 We completed risk-based reviews of aspects of 26 financial reports of listed and other public interest entities audited by the firm in the 12 months to 30 June 2019. Following our inquiries, one entity made a material change to net assets and profit as summarised in Table 3. More information can be found in a media release available from the ASIC website (www.asic.gov.au).
- 9 A review of the audit working papers on impairment of non-financial assets at the company for the year ended 30 June 2018 was also substantially completed in the 12 month period to 30 June 2019.

Table 3: Financial report finding – media release issued

Entity	Year end	Findings
██████████	30 June 2018	The company wrote down goodwill and other intangible assets of its lending cash generating unit in its financial report for the half-year ended 31 December 2018.